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House of Representatives

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Statement of Ranking Member Gerald E. Connolly, VA-11 Subcommittee on Government Operations

"Fair Competition in International Shipping"

June 16, 2015

2:00 p.m.

2154 Rayburn

Mr. Chairman, thank you for holding today's hearing to examine international postal policy, particularly the current terminal dues rate system.

We have an excellent panel of witnesses testifying before us. Indeed, I believe it was PRC Chairman Taub who was the catalyst behind the last hearing held to examine the international postal system back on March 9, 2000.

Each witness represents a key entity with expertise and important insights on how we can work together to strengthen the United States Government's strategic approach to future negotiations over shaping the modern international postal system.

I look forward to an in-depth conversation today to explore how our Nation can work to level the playing field for American small businesses, and in the process, enhance global competition in e-commerce markets, which will benefit consumers at home and abroad.

As the Chairman noted, the U-P-U is the global organization through which the international community establishes treaties governing complex global mail issues, such as setting appropriate terminal dues rates every four years.

Terminal dues are meant to cover the domestic costs of handling, transporting and delivering mail originating abroad; while ensuring that rates are set in a progressive fashion to insure all U-P-U countries participate in the system.

The concept of the terminal dues system is well intended – indeed, the world needs a mechanism in place to facilitate global mail exchange. However, there appear to be serious shortcomings in the current system that may be harming American business interests.

For example, recent audits by the U.S. Postal Service's Office of Inspector General found that terminal dues do not cover the Postal Service's *actual* costs for handling, transporting, and delivering letter-post items from abroad.

Further, I am concerned that the significant imbalance between our Nation's domestic shipping rates and the incredibly low international shipping rates we charge so-called "transitional countries" to export goods into our country may be providing an artificial and unfair competitive advantage to foreign retailers and which is harming American small businesses.

According to the Postal Regulatory Commission, the current terminal dues rates may distort competition and artificially increase demand for products from foreign vendors who benefit from low transitional country rates.

The shipping of "e-Packets" – which weigh up to 4.4 pounds and contain tracking and delivery features – from China to the United States have increased 182 percent from 2011 to 2012, according to a report by Postal Vision 2020.

While this increase is partially a result of technological advancements that have spurred greater utilization of e-commerce marketplaces – it is highly likely that the unfair competitive advantage provided by low terminal dues is a major driver of the dramatic increase.

American small businesses simply want a level playing field on which to compete with foreign retailers, many of whom are formidable business competitors, even absent the artificial terminal dues pricing advantage.

In addition, private carriers are struggling to compete with carriers who have access to terminal dues and the Postal Service continues to lose money on foreign shipping costs as foreign posts profit.

The bottom line is that we are here this afternoon to ensure that there is a fair and equitable global marketplace ... and that American businesses have a fair opportunity to compete in the digital age.

The 'one country, one vote' structure of the U-P-U does not allow change to happen at a rapid pace. That is why it is essential for government agencies and private entities to do everything they can to protect American interests.

According to title 39, section 407, the State Department's role is to "*promote and encourage unrestricted and undistorted competition in the provision of international postal services and other international delivery service*".

This is crucial to ensuring the success of American business and ultimately our economy. I look forward to hearing how the State department has carried out this responsibility.

I also would like to hear the PRC's view on the most pressing issues with the current system and its proposals on how the system can be improved to facilitate robust, yet fair competition.

From our private carriers and e-commerce marketplace providers, I would like to gain an understanding of how businesses have been affected by these dues, particularly our Nation's community of small e-retailers.

Mr. Chairman, thank you again for holding this important hearing. I am very interested in this topic and I look forward to hearing from our impressive panel of witnesses.

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